

Senate Bills 664-7 (Enrolled Bill Analysis)

Contact: Office of Policy and Legislative Affairs

Agency: Labor & Economic Growth

Analysis

Topic:	Electronic filing of documents
Sponsor:	Senators George, Goschka, Sanborn, and Jelinek
Co-Sponsors:	All members of the Republican Caucus were co-sponsors of one or more bills
Committee:	Senate Commerce and Labor House Commerce
Date Introduced:	June 29, 2005
Date of Analysis:	October 21, 2005
Position:	The Department of Labor & Economic Growth supports the bills

Problem/Background: Securities documents have transformed the way government interacts with business and the public. State and federal tax returns may be filed electronically. Securities documents may be filed electronically with the United States Securities and Exchange Commission. According to testimony in Senate committee, Pennsylvania and Colorado permit online submission of corporation documents. Other states, like Virginia, are testing electronic filing, and Canadian corporations may file documents electronically with the Corporations Canada On-line Filing Centre. Michigan has had an electronic filing system called MICH-ELF for several years. This is a paperless system for filing corporation, limited partnership and limited liability company documents, except annual reports. The customer sends a document to the agency through a fax gateway. Because the document is never converted into paper there is a much faster turnaround time on documents. In June 2005 the agency entered into an agreement with the Department of Information Technology for enhancements to the system that will significantly increase electronic filing functionalities.

Description of Bill: The bills amend the Business Corporation Act, Michigan Limited Liability Company Act, Nonprofit Corporation Act, and Michigan Revised Uniform Limited Partnership Act.

The bills require the Department of Labor & Economic Growth to establish a procedure for accepting delivery of a document submitted by electronic mail or over the Internet by December 31, 2006. Beginning January 1, 2007, the department is required to accept delivery of documents submitted by these methods. For documents filed electronically or over the Internet the department will determine the method for providing proof of the filing date to the submitter.

Amendments were inserted on the Senate floor to provide for fees for expedited service. These fees are identical to those in Delaware and include:

- \$1,000 for one hour service.
- \$500 for 2 hour service.

- \$100 for same day service for formation or qualification documents.
- \$200 for same day service for any other document concerning an existing domestic corporation or qualified foreign corporation.
- \$50 for 24-hour service for formation or qualification documents.
- \$100 for other documents.

The department may establish deadlines by which a person must submit requests for expedited service.

The bills are tie-barred to Senate Bill 298.

Summary of Arguments

Pro: Electronic filing saves businesses time and reduces costs related to filing corporate documents. The accuracy of the information reported is also increased, because these types of systems will not allow materials to be submitted unless all of the required information is provided.

The expedited fees in the bill are a customer-friendly policy. The experience of other states suggests that there will be demand from customers for these services. Moreover, unlike many other fees, these fees are optional and will be paid only by those customers who desire to expedite approval of their documents beyond the current average, which is about 5 days.

Con: The December 31 date in the bill is too far in the future. Michigan businesses should not have to wait that long to enjoy the convenience of electronic filing.

Response: The department is already working on this project and short-term enhancements in electronic filing capability are expected as early as fall 2005.

Fiscal/Economic Impact

(a) Department

Budgetary: Work is already underway on the systems changes needed to permit electronic filing as envisioned by the bill. Two additional FTE's will be needed at the Departmental Analyst P11 level at a cost of \$150,000 annually, including equipment, to handle the increased work load as a result of the expedited service provisions in the bill.

Revenue: It is estimated that the increased revenue from persons requesting expedited service will offset the revenue foregone in Senate Bill 298.

Comments:

(b) State of Michigan

Budgetary: None.

Revenue: None.

Comments:

(c) Local Government

Comments:

Other State Departments: The Department of Information Technology is also affected by these bills.

Any Other Pertinent Information: These bills are part of the agreement on the Governor's Jobs Package.

Administrative Rules Impact: There is no administrative rules impact. The department requested that rulemaking language related to determining deadlines for submitting documents for expedited service be removed.